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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	FCC 96-488
	)	
Access Charge Reform	)	CC Docket No. 96-262
Notice of Proposed Rulemaking	)	

COMMENTS ON ACCESS CHARGE REFORM

National Exchange Carrier Association, Inc.
100 South Jefferson Road
Whippany, New Jersey 07981

January 29, 1997

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SUMMARY

In its Access Reform NPRM, the Commission correctly states that non-price-cap incumbent local exchange carriers (ILECs) face different circumstances from price cap ILECs and that it should defer consideration of mandatory access charge rule revisions for non-price-cap ILECs to a separate proceeding. As noted in the NPRM, current Part 36 separations and Part 69 pricing rules cause significant costs to be allocated to the transport interconnection charge (TIC) that would be more sensibly recovered through other rate elements. NECA accordingly supports revisions to the Part 69 rules that would more closely align transport prices with costs, and proposes specific methods for accomplishing these changes in these comments. Pending the conclusion of a separations proceeding, remaining TIC costs that cannot easily be reassigned via Part 69 changes should continue to be assigned to the TIC or bulk billed.

The Commission proposes to adopt various other rate structure changes for price cap company customers that might also benefit pool company customers, including changes to the Carrier Common Line (CCL), Subscriber Line Charge (SLC), local switching and Signaling System 7. Specifically for changes to the CCL, the Commission should specify that the NECA pool may charge a nationwide average per-line rate and bulk bill the residual amount. It would also be good public policy to allow pool ILECs to implement other resulting rate structure changes adopted for price cap ILECs, pending completion of the separate ROR proceeding. However, analyses of the impact of Commission proposals regarding the CCL and SLC on pool ILECs, and differences between price cap companies and pool ILECs, caution against mandating any such rate structure changes for these pool ILECs.

Also in these comments, NECA recommends, absent any separations rules changes, clarification that interstate revenue requirements continue to be determined as they are today. In

addition, the Commission should adopt Part 69 rule changes that treat new universal service amounts assigned to interstate access elements, including Dial Equipment Minutes weighting and Long Term Support, as revenue streams in the development of interstate access rates.

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COMMENTS ON ACCESS CHARGE REFORM

The National Exchange Carrier Association, Inc. (NECA)[1] submits its comments in response to the Commission's Notice of Proposed Rulemaking (NPRM) in the above-captioned matter.[2]

I. INTRODUCTION

This proceeding is the "the third in a trilogy of actions" that are intended to introduce efficient competition in the telecommunications industry, pursuant to the mandate of the 1996

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[1] NECA is a not-for-profit association, established by FCC order, which administers a number of programs for the telecommunications industry. Among NECA's roles under the Commission's rules, is the preparation of access charge tariffs on behalf of over 1,200 telephone companies that do not file separate tariffs; and the collection and distribution of access charge revenues. *See* 47 C.F.R. §§ 69.603 and 64.604. NECA comments in this proceeding reflect its role and duties as access charge filing agent for tariff pool participants. *See id* at § 69.603(b) ("Participation in Commission or court proceedings relating to access charge tariffs . . ." is an authorized NECA activity).

[2] Access Charge Reform, *Notice of Proposed Rulemaking, Third Report and Order, and Notice of Inquiry*, FCC 96-488, CC Docket No. 96-262 (rel. Dec. 24, 1996) (*NPRM*). The Commission asks how or whether to apply various proposals in this proceeding to rate-of-return (ROR) LECs, and NECA focuses its comments on its pool members who are all ROR LECs.

Act.[3] The Commission finds, and NECA agrees, that the "fundamental changes in the . . . telecommunications industry wrought by the 1996 Act now necessitate that the Commission review its existing access charge regulations . . ."[4] NECA also agrees with the Commission that price-cap incumbent local exchange carriers (ILECs) and non-price-cap ILECs face different circumstances, and that the Commission should therefore defer consideration of mandatory access charge rule revisions for non-price-cap ILECs to a separate proceeding.

The FCC does propose, in this proceeding, to apply to all ILECs, including non-price-cap ILECs, proposals to reform the transport rate structure, including the transport interconnection charge (TIC); and the rules which address allocation of universal service support to the interstate revenue requirement.[5] The Commission also seeks comment on whether it should apply its proposed changes to the common line rate structure, including the subscriber line charge (SLC), to rate-of-return (ROR) ILECs; and on updating the Part 69 access rules to account for current and proposed rules changes.[6]

NECA's comments address the following key points regarding these proposals: (1) the Commission's proposed transport rate structures appear reasonable and it should, if it determines that the TIC needs modification, logically place certain TIC cost components elsewhere, keeping the remainder intact pending reform of separations rules; (2) pool ILECs should be allowed, but not required, to adopt other proposed rate structure changes; and (3) absent any separations rules

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[3] *Id.* at ¶1. Universal service and local competition (interconnection) are the other two proceedings. *Id.*

[4] *Id.* at ¶5.

[5] *Id.* at ¶53.

[6] *Id.*

changes, the Commission should adopt Part 69 rules changes that treat universal service support assigned to interstate access elements, including Dial Equipment Minutes (DEM) weighting and Long Term Support (LTS), as revenue streams in the development of interstate access rates.

II. TRANSPORT RATE STRUCTURE

The Commission states that "any changes we adopt to the TIC pursuant to the court's remand in *CompTel v. FCC*[7] should also apply to rate-of-return incumbent LECs because their transport rules were subject to the rates that were remanded by the court in that decision."[8] Thus, unlike the other rate structure rules it considers, as discussed *infra*, the Commission "contemplates imposing any rules adopted relating to the transport rate structure or the TIC on all incumbent LECs," including ROR companies.[9]

A. The Commission's Transport Rate Structure Proposals Appear Reasonable

The Commission seeks comment on whether its three-part interim transport rate structure (entrance facilities, direct trunked transport, and tandem switched transport) should be adopted as a final rate structure. The Commission's proposal to adopt the three-part interim rate structure as the final transport rate structure, including the measuring of mileage in two pieces (serving wire center to tandem and tandem to end office) when a carrier orders tandem switched transport, appears reasonable. In addition, the Commission seeks comment on whether the mileage component between the serving wire center and the tandem should be a mandated flat rate charge, eliminating the option to pay for this facility on a per minute of use basis. This recommendation is

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[7] Competitive Telecommunications Association v. FCC, 87 F.3d 522 (D.C. Cir. 1996) (*CompTel v. FCC*).

[8] *NPRM* at ¶53.

[9] *Id.* at ¶84.

consistent with the manner in which the facility is provisioned.

B. If the Commission Determines TIC Modification is Necessary, TIC Costs Should Be Reassigned Where Feasible, Leaving the TIC Remainder Intact Pending Separations Reform

The Commission seeks comment on a number of proposals for dealing with the TIC ranging from a reallocation of costs to a total phase-out. The Commission also invites comment on what modifications to access charge rules for ROR LECs are necessary to address any revisions to the TIC that may be adopted.[10]

Existing TIC cost components can be separated into two distinct categories: (1) that portion that can be assigned to other Part 69 access categories without changes to separations rules; and (2) that portion that cannot be reassigned without separations changes. Should the Commission determine that modification of the TIC is necessary, it could adopt Part 69 rules revisions that would more closely align prices with costs. In these comments, NECA describes approaches by which the first category of costs could be removed from the TIC and assigned to new or existing rate elements.

Changes to the current Part 36 separations rules must be considered in a separate proceeding involving a federal-state joint board and should address the remaining costs currently allocated to the TIC.[11] Until that time, the second category of TIC costs should be recovered

[10] *Id.* at ¶122

[11] TIC revenues currently represent approximately $192.4 M for NECA traffic sensitive (TS) pool members. This equates to 85% of total transport revenues and 22% of total traffic sensitive access revenues for traffic sensitive pool members. Since the TIC represents actual costs which have been assigned to the interstate jurisdiction, companies are entitled to cost recovery of the amount currently assigned to the TIC.

either through the existing per-minute-of-use TIC charge or through a bulk billing arrangement.[12]

The following paragraphs outline specific approaches for reassignment of TIC costs. To implement these methods it would be necessary to revise the existing Part 69 rules that address the calculation of the transport revenue requirement and related rate elements. To the extent that Part 69 rules are modified, NECA would file and justify new rates through the access tariff filing process.[13] Each category of costs comprising the current TIC can be found in the table on page 9.

1. Tandem Switching

The Commission established the current tandem switching rate element to recover 20 percent of the costs associated with tandem switching "to ease the impact of the rate structure change on IXCs that use tandem switched transport."[14] The remaining 80 percent of the costs are assigned to the TIC. Tandem switching costs can be identified and allocated to the tandem switching rate element. These costs could therefore be removed from the TIC and assigned to the tandem switching element.[15]

2. Analog End Office Multiplexers

One cost component not captured by using special access rates as a surrogate for transport costs is the expense related to digital-to-analog multiplexers. These devices are required

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[12] A bulk billing arrangement could be accomplished by billing interexchange carriers based on their interstate access revenues paid to the LECs.

[13] The filed rate changes may differ from the estimates provided in these comments due to refinements in cost analysis and identification of possible additional revenue requirement changes created by further rules changes.

[14] Transport Rate Structure and Pricing, *First Memorandum Opinion and Order on Reconsideration*, CC Docket No. 91-213, 7 FCC Rcd 5370, 5378 (1993).

[15] This change would reduce the TIC and increase the tandem switching revenue requirement for NECA TS pool members by approximately $15.1 M.

to terminate DS-1 transport facilities at analog end offices. These costs could be removed from the TIC and assigned to the local switching rate element.[16] This would make the assignment of analog multiplexing costs consistent with the assignment of costs associated with this function in digital switches.

3. Host Remote Connecting Facilities

In the *Transport Restructure Order*, the Commission elected to have LECs recover the costs of the dedicated facility from the host office to the remote office via the tandem switched transport minute of use charge.[17] A closer look at the costs of providing these links indicates that using the tandem switched transport charge as a surrogate doesn't adequately recover costs. The differential is assigned to the TIC.

Companies deploy host-remote systems as a cost-effective means of providing local switching, in lieu of the more costly alternative of installing a separate end office switch at the remote location. These connecting facilities are not dedicated to particular customers or limited to particular services (*e.g.* local, toll or interstate access). Thus, these costs could be removed from the TIC and assigned to the local switching element.[18]

4. Special Access Rates Used As A Surrogate For Local Transport Costs

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[16] This change would reduce the TIC and increase the local switching revenue requirement for NECA TS pool members by approximately $600K.

[17] *See* 7 FCC Rcd at 5372.

[18] This change would reduce the TIC and increase the local switching revenue requirement for NECA TS pool members by approximately $25.8 M. Alternative rate structures were considered. For example, the costs of these facilities could be added to the costs of tandem switched transport but, for NECA pooling companies, this would disproportionately raise tandem switched transport rates.

The use of DS-1 & DS-3 special access rates as a surrogate for local transport costs assumes that companies' cost of transport is similar to special access. For the NECA pool, development of high capacity special access rates does not include all service areas, since many do not have customers who require DS-1 or DS-3 special access services. An analysis indicates that the service areas which do not currently experience DS-1 and DS-3 special access service demand have higher transport costs than those areas that do have these special access services.[19] If the Commission discontinues this surrogate, NECA would develop cost-based transport rates and file them in its access tariffs, thereby reducing the TIC and increasing other transport rates.[20]

5. SS7 A-Link Costs

The costs associated with Signaling System 7 (SS7) A-links from the end office to the Signal Transfer Point are not recovered through the existing SS7 rate elements. Rather, these costs are assigned to the TIC. These costs could be removed from the TIC and assigned to the local switching element.[21] The argument to assign A-link costs to local switching is similar to that of the host-remote facilities in that the A-links are not dedicated to particular customers, nor to particular services. In addition, most of the traffic sent over the A-links is for call set-up, which is

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[19] Some pool companies have little or no demand for high capacity special access services. For companies who have significant DS-1 and DS-3 special access services demand, the customers for these services tend to be located in higher-density, lower-cost service areas.

[20] This change would remove approximately $22.7M from the TIC and re-assign the costs among entrance facilities, direct-trunked transport and tandem switched transport rate elements.

[21] This change would reduce the TIC and increase the local switching revenue requirement for NECA TS pool members by approximately $13.4 million. NECA should also be allowed, but not mandated, to recover these costs via rate structure changes adopted for price cap ILECs. For example, if the Commission were to permit additional SS7 rate elements and/or an optional call set-up charge as part of local switching, the A-link investment could be one of the cost components of such a new charge. *See also infra,* section III.C.

a local switching function.

6. Tandem Switched Transport Re-Calculation

The current tandem switched transport rate development includes the use of an FCC prescribed level of 9000 minutes of use (MOU) per trunk. NECA is currently studying the actual average MOU per trunk for the NECA pool and, based on preliminary results, we expect that the pool MOU per trunk will be less than the FCC's 9000 MOU level.[22] To the extent actual usage is less than 9000 MOU, use of the prescribed level artificially reduces the level of transport rates and revenues with the difference being assigned to the TIC. If the Commission no longer prescribes a MOU proxy, NECA would base its tariff rate development on a MOU figure which more accurately represents the rural, low usage characteristics of its traffic sensitive pool members.[23]

7. Separations Changes

Included in the remaining TIC costs for the NECA pool, after reassignment of the components discussed above, is approximately $93 million. NECA estimates this amount is attributable to the impact of over-allocation of costs to transport resulting from Part 36 procedures.[24] Separations reform would appear to be needed to address these costs by reassigning them to the intrastate and interstate jurisdictions and among the interstate access elements (Common Line, Local Switching and Special Access). Until the Commission addresses

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[22] A recent U.S. West study suggested that 9000 MOU is approximately twice the actually experienced MOU in rural areas. *See* U.S. West Communications Petition for Waiver of Part 69 of the Commission's Rules, July 24, 1996, at 10; Pleading Cycle Established, *Public Notice*, DA 96-1212 (July 29, 1996).

[23] If the U.S. West study is representative of the NECA pooling companies, this change would reduce the TIC and increase the tandem switched transport revenue requirement by approximately $19.3M.

[24] 47 C.F.R. § 36.126 (e)(3)(i) requires the assignment of interexchange circuit equipment based on the average cost per termination. Direct cost assignment could be more precise.

this and other separations issues in its upcoming separations reform proceeding,[25] the costs associated with this portion of the TIC should remain as a Transport revenue requirement and be recovered through a per minute TIC charge or a bulk billing arrangement.[26]

NECA Transport Interconnection Charge Summary*

Description	Amount (millions)	Percent of Total
Total TIC	$192.4	100.0%
1. Tandem Switching	$ 15.1	7.8%
2. Analog End Office Multiplexers	$ 0.6	0.3%
3. Host Remote Connecting Facilities	$ 25.8	13.4%
4. Special Access Rates Used as a Surrogate for Local Transp.	$ 22.7	11.8%
5. SS7 A-Link Costs	$ 13.4	7.0%
6. Tandem Switched Transport Re-Calculation	$ 19.3	10.1%
7. Separations Changes	$ 92.9	48.3%
8. Unquantified Amount*	$ 2.5	1.3%
Total Amount Quantified (Sum of Lines 1 through 7)	$ 189.9	98.7%

* These estimates are based on the July 1, 1996 through June 30, 1997 test period forecasts contained in NECA's April 1996 Annual Tariff Filing. Actual costs components and dollar values may differ from these estimates. *See supra*, note 13.

III. POOL ILECS SHOULD BE ALLOWED, BUT NOT REQUIRED, TO ADOPT OTHER NEW RATE STRUCTURES RESULTING FROM THIS PROCEEDING

The Commission proposes to adopt various other rate structure changes for the customers of price cap companies that might also benefit customers served by pool companies. This may be especially important in those instances where access customers are served jointly by both price cap and pool companies. A common rate structure would facilitate meet point billing

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[25] *NPRM* at ¶ 6 and note 340.

[26] As discussed *supra*, note 12, bulk billing could be accomplished by billing of interexchange carriers in accordance with the interstate access revenues paid to the LECs.

arrangements and customer access ordering procedures. Thus, NECA believes it would be good public policy to allow pool LECs to implement any resulting rate structure changes adopted for price cap ILECs, pending completion of the separate ROR proceeding.

A. Carrier Common Line (CCL)

The Commission recognizes that a large portion of common line costs are recovered through CCL per-minute-of-use charges and therefore do not reflect the manner in which loop costs are incurred. The Commission invites comment on a number of alternative common line rate structures, including a flat per-line charge, bulk billing based on minutes of use or revenues, and a capacity charge based on number of trunks purchased.[27] The Commission also invites comment on whether any changes adopted for price cap LECs regarding the CCL should be extended to rate-of-return LECs.

NECA agrees that the continued recovery of the non-traffic sensitive CCL charge revenue requirement on a usage sensitive basis should be changed. NECA requests the Commission allow the pool to implement a per-line charge and/or a bulk-billing method. Public policy may best be served by Commission rules specifying that the pool may charge a nationwide average CCL per-line rate[28] and bulk bill the residual amount.[29]

If the Commission were to mandate recovery of the CCL solely on a per-line basis,

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[27] *NPRM* at ¶¶ 61, 65-70

[28] This nationwide average per-line rate would be developed similar to the way NECA develops the national average CCL today. This method would use data collected from all price cap companies. (*See e.g.* 47 C.F.R. § 69.105(b)(2).

[29] *See supra* note 12 for an example of a bulk billing method.

average rates for the NECA pool could reach in excess of $5.00 per line per month.[30] In its analysis of a flat-rate, per-line charge,[31] NECA first assumes that the existing CCL rate does not change and merely recalculates it on a per-line basis, which produces an average monthly per-line charge of $1.59.[32] NECA next assumes that its non-rural pooling companies lose their LTS support with no replacement -- their entire CCL costs would have to be recovered through pool rates.[33] This could drive the monthly per-line charge up to $2.50. Finally, assuming the loss of all LTS with no replacement, the average pool rate would be approximately $5.36 per-line per-month.[34] Individual study areas vary from approximately $0.12 to $105.32. Such rates could

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[30] The materially higher per-line costs of NECA pool members result from the more rural, lower density, higher cost areas they serve. For example, more than 50 percent of the NECA Traffic Sensitive pooling companies serve less than 2000 customer access lines. The service areas cover large geographic territories and more than 50 percent of the NECA TS pooling companies have less than 20 customer access lines per square mile. *See* Telecommunications: America's Vital Link, NECA's 1995 Access Market Survey at 12.

[31] These rate impact calculations are based on the July 1, 1996 through June 30, 1997 test period forecasts contained in NECA's April 1996 Annual Tariff Filing.

[32] This rate level is based on current Commission rules which include the use of a nationwide average CCL rate for the NECA pool.

[33] "Non-rural" means those companies not considered "rural telephone companies" under the 1996 Act. For non-rural ILECs, the Commission has not yet addressed how the new proxy-based universal service support will be allocated to the interstate jurisdiction or access elements. Absent some allocation of this new support to the interstate common line element, based on the Joint Board Recommendation, non-rural pool ILECs will lose any CCL support effective January 1, 1998, and rural pool LECs will lose any CCL support following the rural transition period. Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Recommended Decision, FCC 96J-3 (rel. Nov. 8, 1996) (Joint Board Recommendation)

[34] Based on the Joint Board Recommendation, CCL costs currently recovered via LTS will migrate to the pool CCL rate as rural transition LTS amounts are phased out (absent offsetting allocations from proxy-based universal service support).

discourage the development of interexchange carrier competition in rural service areas.[35]

As part of conforming Part 69 rules to new changes, the Commission should modify its existing Part 69 rules dealing with the computation of the national average CCL rate.[36] The current national average CCL rate computation would no longer be possible based on the Joint Board Recommendation to eliminate LTS for non-rural pool LECs and to freeze LTS for rural pool members on a per-line basis during a transition period.[37] To avoid the high per-line rates discussed above, the Commission could adopt a rule by which the pool would charge a nationwide average per-line CCL rate and bulk bill the residual amount.[38]

B. Subscriber Line Charge (SLC)

The Commission also proposes to increase or eliminate the cap on the existing subscriber line charge (SLC) for the second and additional lines for residential customers and for all lines for multi-line business customers. As with proposed CCL changes, the Commission also invites comment on whether any changes adopted for price cap LECs regarding the SLC should be extended to rate-of-return LECs.

NECA has also performed an analysis illustrating the effect on the SLC for its pool

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[35] Rather than increase rates applicable to their entire service areas, including lower cost, more competitive areas, interexchange carriers might instead choose to avoid rural areas. This could deny rural subscribers the benefits of diverse interexchange carrier service offerings.

[36] 47 C.F.R. §§ 69.105(b)(2)-(3).

[37] Joint Board Recommendation at ¶¶ 355-356 and 768. The transitional levels of LTS will be reduced under the new universal service mechanism. *Id.* at ¶ 773. Since the Joint Board has recommended the recovery of LTS from the new federal universal service support mechanism, the Commission can also eliminate the Part 69 rules regarding current LTS recovery methods *e.g.* 47 C.F.R. § 69.612(a). Rules regarding transitional support can also be eliminated as they are no longer in use *e.g.* 47 C.F.R.§ 69.612(b).

[38] *See supra* note 12 for an example of a bulk billing method . Alternatively, the entire amount could be bulk billed.

members as a result of implementing the Commission's proposals. Based on NECA analysis, rural study areas' Base Factor Portion common line costs, which establish SLC rates absent a cap, range from \$3.65 to \$109.12, with 160 study areas with such costs above \$15.00. The impact on pool companies' subscribers, if the SLC cap were eliminated for multi-line business and second line residence customers, could therefore be significant.

Upward revision of the SLC cap for multi-line business customers might result in prohibitive increases for these customers in rural areas. Also, additional revenue produced by increasing the SLC on second residential lines may prove illusory. If the higher SLC on the second line makes it more expensive than the initial line, customers may find uneconomic ways to avoid ordering "second" lines.[39] Thus, the Commission should exercise caution as it considers any proposed SLC increases, especially where customer impacts would be severe.

The Commission also seeks comment on the number of SLCs which should apply to derived channel services, including ISDN. NECA requests that the pool be allowed to implement any changes adopted by the Commission that relate to the application of SLCs to derived channel services.[40] Pool participants should not have to apply SLCs that would discourage ISDN service in rural areas.

C. Other Potential Rate Structure Changes

The Commission also solicits comments on changes to the local switching and SS7 rate

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[39] The proposal to increase SLCs on "second" lines may make identification of those lines administratively difficult and unenforceable because customers will have an incentive to circumvent the higher charge by, for example, ordering second lines from other service providers.

[40] To the extent that loop counts are required for the administration of a national support fund, NECA also recommends that companies count derived channel services loops consistent with the number of SLCs billed.

structures, though it does not intend to apply any such changes to ROR LECs.[41] As discussed above, these and other rate structure changes which the Commission adopts for the customers of price cap companies may also benefit customers served by pool companies. Thus, NECA believes it would be good public policy to allow pool LECs to adopt any resulting rate structure changes adopted for price cap ILECs, pending completion of the separate ROR proceeding.

Finally, the Commission has also revised its Part 69 rules to permit price cap LECs the ability to introduce new switched access services after filing a petition, based upon the public interest standard.[42] Other price cap LECs can receive expedited petition review after the original price cap LEC's petition has been approved. The customers of NECA pooling members deserve similar access to new switched access services and NECA recommends that the Commission not limit these petitions only to price cap LECs.

IV. UNIVERSAL SERVICE SUPPORT ASSIGNED TO INTERSTATE ACCESS ELEMENTS SHOULD BE TREATED AS REVENUE STREAMS FOR INTERSTATE RATEMAKING

The Commission states that "[f]or rate-of-return incumbent LECs, interstate costs must be reduced to reflect revenues received from any new universal service support mechanism to the extent allocated to the interstate jurisdiction."[43] It asks for comment on how such reductions should be treated in Part 69 for non-price cap ILECs.

Absent any separations rules changes, the Commission should clarify that interstate revenue requirements would continue to be determined as they are today. The Commission

[41] *See NPRM* at ¶¶ 72-77, 127.

[42] *See Id.* at ¶¶ 300-310.

[43] *Id.* at ¶246.

should also adopt Part 69 rule changes that treat new universal service amounts allocated to interstate access elements, including rural telephone company DEM weighting and LTS transition amounts,[44] as revenue streams in the development of interstate access rates.

For example, for pooling companies that receive revenue from the new universal service fund in lieu of current LTS, NECA would treat the amount as an offset to the pool common line revenue requirement, similar to the way revenue from SLCs are treated in calculating CCL rates.[45] In rate setting, NECA would consider all revenue projected for its common line pooling members, including any new universal service amounts in lieu of LTS, as well as any proxy-based amounts for pooling companies that are allocated to interstate common line. Similarly, universal service revenue for DEM weighting support would be deducted from the revenue requirement in the development of the traffic sensitive local switching rates. The Commission should also clarify that the per-line rural transition high cost support amounts from the new universal service program should continue to be treated as an intrastate expense adjustment recovered from the interstate jurisdiction to help keep intrastate rates affordable.[46]

V. CONCLUSION

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[44] According to the Joint Board in its recommendation, current universal service support received by rural telephone companies, including DEM weighting, LTS and the universal service fund, will be frozen on a per line basis and funded via the new universal service funding mechanisms. *See* Joint Board Recommendation at ¶¶ 356, 773.

[45] Under this approach, NECA would first determine the interstate common line revenue requirements as it does today. It would then identify SLC revenues plus new universal service revenues assigned to the interstate common line elements and deduct them from the pool revenue requirement. The residual costs would represent the amount to be recovered from the new CCL rate structure.

[46] Part 36 rules changes would appear to be necessary to ensure matching of the expense adjustment with the level of federal funding proposed in the Joint Board Recommendation.

As the Commission finds in this proceeding, and NECA agrees, the Commission must review its existing access charge regulations. Pending the conclusion of a separations proceeding, remaining TIC costs that cannot easily be reassigned via Part 69 changes should continue to be assigned to the TIC or bulk billed.

The Commission should also specify that the NECA pool may charge a nationwide average per-line CCL rate and bulk bill the residual amount. It would also be good public policy to allow pool ILECs to implement other resulting rate structure changes adopted for price cap ILECs, pending completion of the separate ROR proceeding. However, NECA analyses show that the Commission should exercise caution in implementing any mandatory proposals regarding any such rate structure changes for these pool ILECs.

Finally, absent any separations rules changes, the Commission should clarify that interstate revenue requirements continue to be determined as they are today. In addition, the Commission should adopt Part 69 rule changes that treat new universal service amounts assigned to interstate access elements, including DEM weighting and LTS, as revenue streams in the development of interstate access rates.

Respectfully submitted,

NATIONAL EXCHANGE CARRIER
ASSOCIATION, INC.

By: /s/ Joanne Salvatore Bochis
Joanne Salvatore Bochis
Its Attorney

By: /s/ Perry S. Goldschein
Perry S. Goldschein
Regulatory Manager

January 29, 1997

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing Comments were served this 29th day of January, 1997, by mailing copies thereof by United States Mail, first class postage paid, or hand delivery, to the persons listed below.

By /s/ Perry Goldschein
Perry Goldschein

The following parties were served:

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Common Carrier Bureau
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to interstate access elements, including DEM weighting and LTS, as revenue streams in the development of interstate access rates.

Respectfully submitted,

NATIONAL EXCHANGE CARRIER
ASSOCIATION, INC.

By: ______________________
Joanne Salvatore Bochis
Its Attorney

By: ______________________
Perry S. Goldschein
Regulatory Manager

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